

Message Text

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C O N F I D E N T I A L OTTAWA 2540

POUCHED ALL CONGENS CANADA

E.O. 11652: GDS

TAGS: ENRG, CA, US

SUBJECT: UNITED STATES ENERGY CONSULTATIONS WITH CANADA

1. SENIOR U.S.OFFICIALS LED BY GOVERNOR JOHN LOVE (DIRECTOR, PRESIDENT'S ENERGY POLICY OFFICE) AND UNDER SECRETARY CASEY MET OCTOBER 23 IN OTTAWA WITH CANADIAN OFFICIALS HEADED BY DONALD MACDONALD, MINISTER OF ENERGY, MINES AND RESOURCES.

2. PURPOSE OF VISIT, WHICH WAS SET UP PRIOR TO OUTBREAK OF MIDDLE EAST CONFLICT, WAS TO REESTABLISH US-CANADIAN DIALOGUE ON ENERGY MATTERS.

3. SUBJECTS REVIEWED AND DISCUSSED INCLUDED WORLD SUPPLY SITUATION (WITH SPECIAL CONSIDERATION OF MIDDLE EAST PRODUCTION, EXPORT AND PRICING POLICIES), US SHORT AND MEDIUM TERM SUPPLY PICTURE, SUPPLY OF EASTERN CANADIAN MARKETS AND POSSIBILITIES FOR US-CANADIAN "SWITCHING" MECHANISMS DURING EMERGENCIES, CANADIAN ENERGY RESERVE POSITION, POSSIBLE CANADIAN SUPPLY OF PUGET SOUND REFINERIES BY PIPELINE IN LIEU OF SUPER-TANKER DELIVERIES FROM ALASKA, ENVIRONMENTAL ISSUES, POSSIBLE DEVELOPMENT OF DEEP-WATER PORTS, AND NEED FOR MORE REGULAR US-CANADIAN

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ENERGY CONSULTATIONS, INCLUDING POSSIBLE ESTABLISHMENT OF

AD HOC WORKING GROUPS TO STUDY PARTICULAR ENERGY PROBLEMS AND DEVELOPMENTS.

4. MEETING PROVIDED WIDE-RANGING EXCHANGES ON ALL ABOVE TOPICS. AMONG KEY POINTS WERE:

(A) CANADIANS SAID IT NOT YET CLEAR WHETHER CANADA IS ON ARABS PROSCRIBED LIST AND GOC ANXIOUS TO AVOID ANY ACTIONS WHICH WOULD ENCOURAGE ARABS TO CUT BACK SHIPMENTS TO CANADA. MACDONALD EXPRESSED CONCERN ABOUT REPORTS THAT INTERNATIONAL COMPANIES ARE DIVERTING SHIPMENTS ORIGINALLY DESTINED FOR CANADA TO US PORTS AND SAID HE SENDING TELEGRAM EXPRESSING CONCERN TO INTERNATIONALS WITH OPERATIONS IN CANADA. IT WAS AGREED THAT NO PUBLIC MENTION SHOULD BE MADE OF DISCUSSION POSSIBLE SWITCHING MECHANISMS.

(B) CURRENT CANADIAN EXPORT CONTROLS ARE DESIGNED TO ENSURE THAT CANADIAN DOMESTIC REQUIREMENTS ARE MET. NATIONAL ENERGY BOARD WILL CONDUCT HEARINGS EARLY IN 1974 ON RESERVES AND RESERVE REQUIREMENTS AND RESULTS OF THOSE HEARINGS WILL PROVIDE BASIS FOR DECISION ON LONGER-RANGE POLICY RE EXPLOITATION AND EXPORT OF RESOURCES.

(C) US SIDE SAID REASONABLE SELF-SUFFICIENCY IS US POLICY OBJECTIVE AND CANADIANS SAID THEY TOO SEEKING SELF-SUFFICIENCY WHICH MACDONALD SAID MAY BE NATIONALISTIC BUT ALSO IS LEGITIMATE OBJECTIVE. BOTH SIDES AGREED THESE POLICIES SHOULD NOT RULE OUT EXCHANGES OF ENERGY RESOURCES THAT ARE MUTUALLY ADVANTAGEOUS. GIVEN RELATIVE PER CAPITA RESOURCE AVAILABILITIES, MACDONALD SAID HE COULD ENVISAGE SOME BALANCE WHICH WOULD FAVOR CANADIAN EXPORTS TO US.

(D) RE DEEP-WATER PORTS AND REFINERIES IN EASTERN CANADA CANADIANS SAID HUGE INVESTMENTS INVOLVED WOULD HAVE DEEP IMPACT ON CANADIAN ECONOMY AND DECISION ON WHETHER TO MOVE AHEAD WOULD BE STRONGLY INFLUENCED BY ASSURANCES OF EXPORT MARKET IN US. US SAIDE SAID THEY SAW NO POTENTIAL CONFLICT BETWEEN PLANS FOR SUPER-PORTS OF GULF OF MEXICO COAST, FOR EXAMPLE, AND PROPOSALS FOR EASTERN CANADA.

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(E) CANADIANS ADAMANT ABOUT NECESSITY AND LOGIC OF EXPORT PRICING SYSTEM (SURTAX) DESPITE STRONG US REPRESENTATIONS THAT CANADA TAKING ADVANTAGE OF US AS SOLE CUSTOMER.

(F) IN RESPONSE TO DIRECT QUESTION ABOUT POSSIBILITY OF CANADA'S SUPPLYING PUGET SOUND REFINERIES BY PIPELINE, US CONFIRMED WE GENERALLY FAVOR CANDIAN SUPPLY GOING TO MIDWEST AT POINT IN TIME WHEN PUGET SOUND WILL BE SUPPLIED

BY ALASKAN OIL.

(G) BOTH SIDES AGREED TO MAINTAIN REGULAR HIGH-LEVEL CONSULTATIVE CONTACTS IN FUTURE AND TO ESTABLISH WORKING GROUP OR GROUPS TO EXAMINE PARTICULAR PROBLEMS.

5. FOLLOWING MEETING, MINISTER MACDONALD AND GOVERNOR LOVE MET WITH PRESS. MONTREAL GAZETTE OF OCTOBER 24 REPORT OF PRESS CONFERENCE EMPHASIZES THAT US SIDE "PLAYS DOWN RIFTS" AND THAT US HAS "NO FUNDAMENTAL OBJECTION TO NEW NATIONAL ENERGY POLICIES ADOPTED BY THE TRUDEAU GOVERNMENT". GOVERNOR LOVE IS QUOTED AS SAYING: "IT WOULD BE TOO STRONG TO SAY THAT" AND WITH REFERENCE TO 40 CENT EXPORT TAX THAT "VERY FRANKLY AND HONESTLY, WE DON'T PARTICULARLY LIKE IT". GOVERNOR LOVE WAS ALSO ATTRIBUTED WITH SAYING US ACCEPTS FACT THAT CANADA UNDER EXISTING CIRCUMSTANCES CANNOT INCREASE CRUDE OIL EXPORTS. PRESS STORY REPORTS THAT MACDONALD SAID HE AND LOVE AGREED TO SET UP SERIES OF AD HOC COMMITTEES TO IMPROVE COMMUNICATION ON MAJOR MATTERS OF INTEREST, ALTHOUGH THEY ARE TO PLAY NO ROLE IN SETTING ENERGY POLICIES FOR EITHER GOVERNMENT. (COMMENT: THIS LATTER POINT WAS PRESS INTERPRETATION OF MACDONALD'S RESPONSE TO QUESTION WHETHER INTENTION IN SETTING UP WORKING GROUPS WAS TO DEVELOP "CONTINENTAL ENERGY POLICY". IN THE REPLY, MACDONALD EMPHASIZED THAT PURPOSE OF GROUPS WAS TO EXCHANGE INFORMATION AND NOT TO SET POLICIES WHICH WOULD REMAIN RESPONSIBILITY OF EACH NATIONAL GOVERNMENT. END COMMENT.) PRESS ALSO REPORTED MACDONALD SAID HE HOPES TO MEET LOVE AGAIN IN TWO OR THREE MONTHS TO REVIEW SUCH COMMITTEE REPORTS. TORONTO GLOBE AND MAIL FRONT PAGES SETTING UP OF JOINT US-CANADIAN ENERGY COMMITTEES. SCHMIDT

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